

**FORM 51-102F3**  
***Material Change Report***

Item 1. **Name and Address of Company**

XXL Energy Corp.  
RPO Box 60610 Granville Park  
Vancouver, B.C.  
V6H 4B9

Item 2. **Date of Material Change**

October 4, 2017

Item 3. **News Release**

A news release dated October 4, 2017 concerning the material change was forwarded to Canada Stockwatch and Market News for dissemination and was SEDAR filed with the Securities Commissions in the jurisdictions in which the Company is a reporting issuer and the TSX Venture Exchange.

Item 4. **Summary of Material Change**

The Company has announced that its wholly-owned subsidiary, Exxel Energy (USA) Inc. (“Exxel”), has entered into a Farmout Agreement with Standard Energy (“Standard”) pursuant to which Exxel will have the right to receive an assignment of Standard’s interest in approximately 70 wells, and the appurtenant lease rights, to be drilled in the Warbonnet area of the Pinedale Field in Sublette County, Wyoming, such assignments to be on a well-by-well basis in consideration of Exxel bearing Standard’s entire cost of drilling, testing and completing each well.

Standard has agreed to fund Exxel’s initial costs of drilling, testing and completion until such time as Exxel is able to negotiate reserve-based financing from one or more arm’s-length financial institutions, such funding by Standard to be secured by the wells in which Exxel earns an interest and to bear interest at the rate of 10% per annum.

John R. Hislop is the sole shareholder of Standard and hence the transaction is a related party transaction in accordance with Multilateral Instrument 61-101.

Item 5. **Full Description of Material Change**

The Company’s wholly-owned subsidiary, Exxel has entered into a Farmout Agreement (the “Farmout Agreement”) with Standard, a Nevada corporation, dated effective the 1<sup>st</sup> day of July, 2017.

Standard is the owner of certain working interests ranging from 18.75% to 21.25% in oil and gas leases covering approximately 1,840 acres located in the Warbonnet area of the Pinedale Field, Sublette County, Wyoming (the “Farmout Lands”). The operator of the Farmout Lands is Ultra Resources, Inc. which, pursuant to the governing joint operating agreement, has notified Standard of its intention to drill up to approximately 70 wells on the Farmout Lands by December 31, 2019, to test the Lance formation.

Under the Farmout Agreement, Exxel has agreed to bear Standard’s entire cost of drilling, testing and completing the wells on a well-by-well basis. Should Exxel elect not to participate in any well, Standard may thereupon terminate the Farmout Agreement or permit Exxel to participate in future wells. For wells in which Exxel participates, upon testing and completion of a well as a commercial producer, Standard will assign 100% of its interest in the well and appurtenant lease rights to Exxel. With respect to each well assigned to Exxel, Standard will retain a 3% overriding royalty interest, subject to its right to convert the royalty on a well-by-well basis to a 25% working interest upon the successful completion of the well and the return to Exxel of its actual costs of drilling, testing and completing the well. Should Exxel determine that any well in which it participates is incapable of production and should be plugged and abandoned, Standard may elect to have Exxel plug and abandon the well at Exxel’s cost, or receive a re-assignment of its interest in that well.

The Farmout Lands are the subject of a reserve report prepared for Standard by Netherland, Sewell & Associates, Inc. as at December 31, 2016 (the “NSA Report”) which was prepared in accordance with mandated National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators. Based on that report, the Farmout Lands contain proved reserves of 61.9 billion cubic feet of gas and 546,200 barrels of oil, 92% undeveloped with a PV10 value of \$24.2 million.

Drilling has commenced on the Farmout Lands, including two of the wells in which Exxel can earn an interest. One of the wells has been drilled horizontally and is awaiting completion and the second well is currently drilling below 12,000’.

Based on the Farmout Land reserves, Exxel is negotiating with arm’s length financial institutions to provide traditional reserve-based lending to support Exxel’s drilling operations. However, Exxel does not expect to receive binding commitments in this regard until the transaction has received final TSX Venture Exchange (“Exchange”) approval. In the interim, Standard is funding Exxel’s initial costs of each well, secured against title to the wells. Funds borrowed by Exxel under this arrangement will bear interest at the rate of 10.0% per annum.

Standard is a private company wholly owned by John R. Hislop (“Hislop”). Accordingly the Farmout Agreement, including the interim financing arrangement

with Standard, constitutes a related party transaction under Exchange Policy 5.9 and Multilateral Instrument 61-101 (“MI 61-101”). The transactions are exempt from the valuation requirements of MI 61-101 under section 5.5(b) of the instrument as the Company is not listed on specified markets. The Company anticipates that it will seek minority shareholder approval of the transactions to the extent required by MI 61-101 and the Exchange. The foregoing transactions are subject to Exchange approval.

The Company’s purpose and business reasons for the transaction are to acquire, through Exxel, interests in up to 70 gas wells expected to generate significant revenue over their lifetimes, well in excess of drilling and completion costs. Such an acquisition is directly in line with the Company’s core business of oil and gas exploration and development. The anticipated effect of the transaction on the Company’s business and affairs is to increase profitability, once the costs of drilling and completion have been recovered, for the benefit of the Company and its shareholders. Based on the NSA Report, the properties to be acquired are anticipated to generate future net revenue, based on proved reserves and discounted at 10%, of \$24.2 million

Hislop wholly owns Standard and hence will beneficially derive 100% of the benefit from the retained 3% overriding royalty interests in the wells (subject to conversion into a 25% working interest in completed wells on a well-by-well basis at Standard’s election), while the Issuer bears 100% of the risk and costs of drilling, testing and completion. There are no securities of the Company involved in the transaction, and hence there will be no change in Hislop’s percentage ownership in the Company’s outstanding shares.

The Farmout Agreement was approved by the Company’s Board of Directors, with Hislop abstaining and no director in opposition. No independent committee of the Board was formed to consider the transaction. No formal valuation was obtained for the transaction by the Company, however the Company had access to the NSA Report prepared for Standard which contained the reserve estimations referred to in the foregoing. The Company anticipates obtaining its own reserve evaluation in the near future, which will be either summarized or reproduced in the Information Circular to be distributed in connection with the minority shareholder approval sought for the Farmout Agreement. Neither the Company nor any director or senior officer of the Company is aware, after reasonable inquiry, of any valuation in respect of the Company prepared within the past 24 months that would be relevant to the transaction.

Item 6.

**Reliance on Subsection 7.1(2) of National Instrument 51-102**

N/A

|

Item 7. **Omitted Information**

N/A

Item 8. **Executive Officer**

The following executive officer of the Company is knowledgeable about this report and the material change disclosed herein:

John R. Hislop  
President & CEO  
Tel: (604) 331-3377

Item 9. **Date of Report**

October 16, 2017